

Vesta: In For The Long Haul With Prepaid

Company Offers 'Virtual Refilling Station' For Prepaid Users

BY SUE MAREK

A little-known Portland, Ore., firm is making inroads in the wireless prepaid transaction arena by transitioning its expertise in non-cash replenishment from the long-distance market to the wireless arena.

Vesta Corp., which became a major player in prepaid long distance in the mid-1990s by offering business customers airline miles in conjunction with long-distance minutes, is now offering its services (and proprietary non-cash replenishment system) to wireless carriers to help operators manage their prepaid transactions and prevent online fraud.

Vesta CEO and President Doug Fieldhouse likens the company's services to a "virtual refilling station," in which a carrier's prepaid customers use Vesta's system to seamlessly replenish their prepaid account. "Most of our relationship is transparent to the customer," Fieldhouse says. "We are in the business of turning a one-time transaction into a returning and loyal customer."

The company, which estimates it handles about 50 percent of prepaid wireless transactions, teamed with Cingular Wireless, which is outsourcing its non-cash replenishment duties to Vesta for its new prepaid wireless program called Keep in Contact, or KIC. Vesta will handle all the non-cash prepaid transactions, as well as develop applications specifically

for the youth market, which Cingular is targeting with this prepaid program. For example, Vesta will be creating a link between the teen's prepaid phone and the parent's credit account so that parents easily can set up a recurring payment program to replenish their teen's prepaid phone.

In addition, the company offers operators some unique services to help the carrier drive growth in prepaid replenishment. For example, Vesta has a service that lets the customer keep their payment information on file. When they are running low on prepaid airtime,



Vesta will signal the user and in the middle of call flow give them the option of replenishing their account, thus eliminating the risk of the call being stopped because of lack of airtime minutes.

Part of Vesta's appeal is it takes on the credit risk for the non-cash transaction, instead of the carrier. According to Fieldhouse, non-cash prepaid transactions (where the customer replenishes their prepaid account via the phone or online) are very risky because it is difficult to trace if the credit card number is fraudulent. "If we accept a fraudulent transaction, we are out of money," Fieldhouse says.

To reduce its risk, the company uses a patented process to handle the non-cash transactions. According to Fieldhouse, the system weeds out the bad transactions and focuses on identifying characteristics of people who make virtual purchases for telecom. "This is all we do," Fieldhouse says. "We have handled 30 million unique transactions in the past six years, and that has allowed us to create a very unique database."

When the company does turn away a potential customer because it suspects he or she may be using fraudulent information, Fieldhouse says the company has a very high level of certainty that it is right. "The hardest customer to get is the one you turned away," Fieldhouse says. "Our

insult rate is under one to one." In other words, for every bad transaction that Vesta catches, it turns away less than one good transaction.

Vesta is hoping its high instance of success with non-cash prepaid transactions will entice carriers to take a closer look at the opportunities in prepaid wireless. In the past, this area hasn't been considered a big revenue generator because the chance of fraud was so high and because many carriers believe prepaid is for the credit-challenged market. But Fieldhouse believes that his company can help carriers reap more benefits from prepaid. Vesta has been working with Cingular Wireless since last year and has seen significant growth in its prepaid program every since. "We saw a 20 percent per month growth in replenishment with Cingular," Fieldhouse says. "And that was without any marketing support from the carrier."

Many analysts agree with Fieldhouse's assessment. "Vesta's support of the Cingular KIC program will help fuel the growing prepaid wireless market among teens and young adults," says Roger Entner, program manager in wireless services at the Yankee Group.

But beyond helping teens replenish their prepaid accounts, Vesta also hopes to play a role in m-commerce. Fieldhouse says the company believes prepaid will be a key instigator in m-commerce because most teens don't have credit cards and instead will use their cell phones to make small purchases, such as downloading ringtones or making micropayments. "We don't see m-commerce as being for big transactions, but we do believe youth will use it for purchases that they are interested in making," Fieldhouse says.

For now, Vesta is focusing on the first-tier carriers and their prepaid programs, but it also is hoping to work with some of the mobile virtual network operators, such as Virgin Mobile, which is targeting the teen market. And the company views prepaid as being a good fit with the burgeoning Wi-Fi market. The company is currently working with a few local Wi-Fi providers and is hoping to expand that offering as the Wi-Fi movement grows. **WW**

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